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Message Text

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11
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C O N F I D E N T I A L KATHMANDU 3741

E.O. 11652: GDS
TAGS: EFIN
SUBJ: COUNTERFEIT U.S. CURRENCY IN NEPAL

REF:KATHMANDU 3451

1. ON AUGUST 18, IN A CONVERSATION WITH AN EMBASSYOFFICER, SOUTH KOREAN EMBASSADOR HONG EXPANDED AND CORRECTED REFTEL INFORMATION EARLIER PROVIDED BY THE KOREAN CHARGE IN RESPECT TO THE PRESENCE OF COUNTERFEIT U.S. CURRENCY IN NEPAL. ACCORDING TO HONG, WHO IMPLIED HIS SOURCE WAS A NEPALESE CORREXPONDENT FOR THE FAR EASTERN ECONOMIC REVIEW, BOGUS DOLLAR CURRENCY TOTALLING ONE HALF MILLION DOLLARS HAS BEEN IMPORTED TO NEPAL BY THE NORTH KOREAN EMBASSY AND CIRCULATED BY THAT EMBASSY THROUGH THE NEPAL-NORTH KOREAN FREINDSHIP ASSOCIATION. THE COUNTERFEIT CURRENCY, ONCE CONVERTED TO NEPALESE CURRENCY, IS USED TO FUND NORTH KOREAN PROPAGANDA READING ROOMS AND TO DISTRIBUTE THROUGH-OUT NEPAL TRANSLATED VERSIONS OF NORTH KOREAN TRACTS.

2. ACCORDING TO HONG THE NEPALESE POLICE BECAME AWARE OF THE OPERATION FOLLOWING THE RETURN TO NEPAL OF SEVERAL BUSINESSMEN WHO REPORTED LEARNING IN HONG KONG THAT U.S. DOLLAR CURRENCY PURCHASED IN KATHMANDU WAS BOGUS. THE COUNTERFEIT BILLS, SAID HONG, CAN BE IDENTIFIED BY THE INCORRECT ETCHING MARKINGS ON THE EYES OF THE BILLS' PORTRAIT. POLICE INVESTIGATION LED TO THE ARREST OF SEVEN INDIVIDUALS, ALL ASSOCIATED WITH THE NEPAL-KOREAN
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FRIENDSHIP ASSOCIATION, WHO SUBSEQUENTLY CONFESSED THE ABOVE

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STORY. THE CORRESPONDENT, WHO INFORMED HONG OF THESE DEVELOP-
MENTS, STATED THAT THE NEPALESE POLICE HAD REFUSED HIM
PERMISSION TO FILE THE STORY WITH THE FAR EASTERN ECONOMIC
REVIEW.

(POLICE INSPEETOR GENERAL BARAL TOLD THE DCM AUGUST
20 THAT HE HAD NO INFORMATION ABOUT CONTERFEIT US CURRENCY
AND HAD MADE NO ARRESTS IN THAT CONNECTION. HE DID, HOWEVER,
CONFIRM AN EARLIER PRESS REPORT (ARATI APRIL 6) OF THE
SMUGGLING OF COUNTERFEIT INDIAN CURRENCY AND THE ARREST
OF THOSE INVOLVED.)

3. SPECIFICALLY ASKED ABOUT THE EARLIER VERSION IMPLICATING
THE NEPALESE MFA AND POLICE AS IMPORTERS AND CIRCULATORS
OF THE FUNDS, HONG CATEGORICALLY DENIED EVIDENCE OF SUCH
COMPLICITY. HE STATED THAT HIS DEPUTY'S UNDERSTANDING OF
THE DETAILS HAD BEEN AT FAULT.

4. COMMENT: IN VIEW OF THIS CLARIFICATION, WHICH TENDS
TO MAKE THE REPORT OR BOGUS CURRENCY SOMEWHAT MORE
CREDITABLE, THE MISSION WILL OF COURSE MAKE NO FORMAL
REPRESENTATIONS TO THE GON ON THIS MATTER. ALTHOUGH
THE STATED AMOUNT OF A HALF MILLION DOLLARS WOULD APPEAR
FAR IN EXCESS OF NORTH KOREAN PROPAGANDA FUNDING REQUIRE-
MENTS, IT IS REASONABLY PLAUSIBLE THAT BOGUS CURRENCY COULD
BE IMPORTED AND CIRCULATED IN THE MANNER DESCRIBED. CARGO

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